

U.S. Department of Homeland
Security
3003 Chamblee-Tucker Road
Atlanta, Georgia 30341

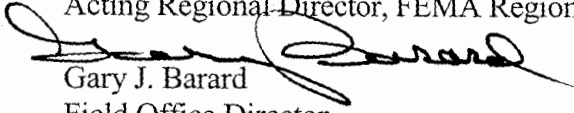


Homeland
Security

October 25, 2004

MEMORANDUM

TO: Mary Lynne Miller
Acting Regional Director, FEMA Region IV

FROM: 
Gary J. Barard
Field Office Director

SUBJECT: Edgecombe County, North Carolina
FEMA Disaster No. 1292-DR-NC
Audit Report No. DA-04-05

The Office of Inspector General (OIG) audited public assistance funds awarded to Edgecombe County, North Carolina. The objective of the audit was to determine whether the County accounted for and expended FEMA funds according to federal regulations and FEMA guidelines.

The County received an award of \$7.7 million from the North Carolina Division of Emergency Management, a FEMA grantee, for emergency protective measures, debris removal, and repair of facilities damaged as a result of Hurricane Floyd in September 1999. The award provided 90 percent FEMA funding for 12 large projects and 11 small projects¹. The OIG limited the audit to the \$7,408,684 awarded and claimed under the 12 large projects (see Exhibit).

The audit covered the period September 1999 to February 2004. During this period, the County received \$6,734,494 of FEMA funds under the 12 large projects.

The OIG performed the audit under the authority of the Inspector General Act of 1978, as amended, and according to generally accepted government auditing standards. The audit included tests of the County's accounting records, a judgmental sample of expenditures, and other auditing procedures considered necessary under the circumstances.

¹ According to FEMA regulations, a large project costs \$47,800 or more and a small project costs less than \$47,800.

RESULTS OF AUDIT

The County's claim included \$17,346 (FEMA share \$15,611) of charges that the OIG found to be duplicative or ineligible. Accordingly, the OIG questions these charges.

- A. Duplicate Charges. The County's claim included \$13,908 of equipment rental charges (Invoices 34340, 35609 and 35868) that were mistakenly claimed under two projects (Number 2725 and 3535). The OIG determined that the rental costs were allocable to Project 3535, not Project 2725. Accordingly, the OIG questions the \$13,908 of duplicate charges claimed under Project 2725.
- B. Ineligible Charges. The County's claim under Project 3535 included \$3,438 of labor charges that the OIG determined to be ineligible or unallowable.

Federal regulation (44 CFR 206.228) allows for overtime salaries, but not straight or regular-time salaries of permanent employees who perform debris removal and emergency service work. Contrary to this regulation, the County's claim under emergency services Project 3535 included \$2,076 of regular salaries and associated fringe benefits of permanent employees who processed debris at the County's landfill. The OIG questions these charges.

Also, according to County personnel policy, exempt employees who perform emergency work are entitled to compensatory time for hours worked in excess of their regular eight hours workday. The County's Board of Commissioners, however, can authorize overtime pay for exempt employees in these situations. Under the County policy, which implements Chapter 153, Article 5, Chapter 126, of the General Statutes of North Carolina, an employee is paid 50 percent over their regular pay for overtime, whereas the cost for compensatory time is based on the employee regular pay.

The OIG found that without the Board's authorization, the Director of Solid Waste, an exempt employee, received \$4,087 of overtime pay under the FEMA project for 165 hours of overtime. The US Office of Management and Budget Circular A-87, Attachment A, states that for cost to be allowable under a Federal grant, it must be consistent with local laws and regulations. Since the Board did not authorize the Director's overtime pay, the OIG questions \$1,362, the difference between the value of compensatory time (\$2,725) and overtime pay (\$4,087).

RECOMMENDATION

The OIG recommends that the Regional Director, in coordination with the grantee, disallow the \$17,346 of questioned costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The audit results were discussed with FEMA, grantee, and County officials on September 16, 2004. County officials concurred with the findings.

Please advise the Atlanta Field Office, Audit Division, by January 25, 2004, of the actions taken to implement the OIG recommendation. Should you have any questions concerning this report, please contact me or George Peoples at (770) 220-5242.

Edgecombe County, North Carolina
Disaster No. 1292-DR-NC
Schedule of Claimed and Questioned Costs
Large Projects

<u>Project Number</u>	<u>Amount Award</u>	<u>Amount Claimed</u>	<u>Amount Questioned</u>
2568	\$ 268,531	\$ 268,531	
2569	477,217	477,217	
2570	48,685	48,685	
2725	1,673,290	1,673,290	13,908
2977	212,070	212,070	
3354	49,081	49,081	
3535	838,527	838,527	3,438
3884	778,054	778,054	
3977	1,960,696	1,960,696	
3978	645,408	645,408	
4350	341,359	341,359	
4356	<u>115,766</u>	<u>115,766</u>	
Totals	<u>\$7,408,684</u>	<u>\$7,408,684</u>	<u>\$ 17,346</u>